

Introduced by Committee on Governmental Organization (Senators Wright (Chair), Anderson, Berryhill, Calderon, Cannella, Corbett, De León, Evans, Hernandez, Padilla, Strickland, Wyland, and Yee)

March 21, 2011

An act to amend Sections 8880.4 and 12419.5 of the Government Code, relating to the California State Lottery.

LEGISLATIVE COUNSEL'S DIGEST

SB 939, as introduced, Committee on Governmental Organization. California State Lottery.

The California State Lottery Act of 1984, enacted by initiative, authorizes the California State Lottery and provides for its operation and administration by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act requires that not less than 84% of the total annual revenues from the sale of state lottery tickets or shares be returned to the public in the form of prizes and net revenues to benefit public education, and that no more than 16% of those revenues be used for expenses of the lottery. The act specifies that none of its provisions may be changed except to further its purpose by a bill passed by a $\frac{2}{3}$ vote of each house of the Legislature and signed by the Governor. A provision of the act requires the commission to promulgate regulations to establish a system of verifying the validity of prizes and to effect payment of the prizes, as specified.

This bill would amend the act, and a related provision, to correct incorrect references to the provision of the act that requires the commission to promulgate regulations, and would make other technical, nonsubstantive changes to the act and the related provision.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 8880.4 of the Government Code, as
2 amended by Section 1 of Chapter 13 of the Statutes of 2010, is
3 amended to read:

4 8880.4. Revenues of the state lottery shall be allocated so as
5 to maximize the amount of funding allocated to public education,
6 including from the first full fiscal year following enactment of the
7 act adding Section 8880.4.5, as follows:

8 (a) Not less than 87 percent of the total annual revenues from
9 the sale of state lottery tickets or shares shall be returned to the
10 public in the form of prizes and net revenues to benefit public
11 education.

12 (1) The commission shall determine the percentage of total
13 annual revenues that shall be returned to the public in the form of
14 prizes as described in this chapter, however the percentage shall
15 not be less than 50 percent of the total revenues.

16 (2) (A) The percentage of the total annual revenues to be
17 allocated to the benefit of public education, as specified in Section
18 8880.5, shall be established by the commission at a level that
19 maximizes the total net revenues allocated to the benefit of public
20 education.

21 ~~(B) However, for the 1998–99 fiscal year and each fiscal year~~
22 ~~thereafter, 50~~ Fifty percent of any increase in the amount calculated
23 pursuant to this paragraph from the amount calculated in the
24 1997–98 fiscal year shall be allocated to school districts and
25 community college districts for the purchase of instructional
26 materials, on the basis of an equal amount per unit of average daily
27 attendance, as defined by law, and through a fair and equitable
28 distribution system across grade levels.

29 (3) All unclaimed prize money shall revert to the benefit of
30 public education, as provided for in subdivision (e) of Section
31 ~~8880.32~~ 8880.321.

32 (4) All of the interest earned upon funds held in the State Lottery
33 Fund shall be allocated to the benefit of public education, as
34 specified in Section 8880.5. This interest is in addition to, and shall
35 not be considered as any part of, the total annual revenues that are

1 required to be allocated for the benefit of public education as
2 specified in paragraph (2).

3 (5) No more than 13 percent of the total annual revenues shall
4 be allocated for payment of expenses of the lottery as described
5 in this chapter. To the extent that expenses of the lottery are less
6 than 13 percent of the total annual revenues, any surplus funds
7 also shall be allocated to the benefit of public education, as
8 specified in this section or in Section 8880.5.

9 (b) Funds allocated for the benefit of public education pursuant
10 to subdivision (a) are in addition to other funds appropriated or
11 required under existing constitutional reservations for educational
12 purposes. No program shall have the amount appropriated to
13 support that program reduced as a result of funds allocated pursuant
14 to subdivision (a). Funds allocated for the benefit of public
15 education pursuant to subdivision (a) shall not supplant funds
16 committed for child development programs.

17 (c) ~~None~~All of the following shall *not* be considered revenues
18 for the purposes of this section:

19 (1) Revenues recorded as a result of a nonmonetary exchange.
20 “Nonmonetary exchange” means a reciprocal transfer, in
21 compliance with generally accepted accounting principles, between
22 the lottery and another entity that results in the lottery acquiring
23 assets or services and the lottery providing assets or services.

24 (2) Reimbursements received by the lottery for the cost of goods
25 or services provided by the lottery that are less than or equal to
26 the cost of the same goods or services provided by the lottery.

27 (d) Reimbursements received in excess of the cost of the same
28 goods and services provided by the lottery, as specified in
29 paragraph (2) of subdivision (c), are not a part of the total annual
30 revenues required to be allocated for the benefit of public
31 education, as specified in paragraph (2) of subdivision (a).
32 ~~However, this~~ This amount shall be allocated for the benefit of
33 public education as specified in Section 8880.5.

34 (e) This section shall remain in effect only until December 31
35 of the year of notification from the Controller to the Legislature
36 and the Governor that the events described in paragraphs (1) and
37 (2) of subdivision (c) of Section 8880.4.5 have occurred, and as
38 of that date is repealed, unless a later enacted statute, that is enacted
39 before December 31 of that year, deletes or extends that date.

SEC. 2. Section 8880.4 of the Government Code, as added by Section 2 of Chapter 13 of the Statutes of 2010, is amended to read:

8880.4. Revenues of the state lottery shall be allocated as follows:

(a) Not less than 84 percent of the total annual revenues from the sale of state lottery tickets or shares shall be returned to the public in the form of prizes and net revenues to benefit public education.

(1) Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.

(2) At least 34 percent of the total annual revenues shall be allocated to the benefit of public education, as specified in Section 8880.5. ~~However, for the 1998–99 fiscal year and each fiscal year thereafter, 50~~ Fifty percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall be allocated to school districts and community college districts for the purchase of instructional materials, on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section ~~8880.32~~ 8880.321.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and shall not be considered as any part of, the 34 percent of the total annual revenues that is required to be allocated for the benefit of public education as specified in paragraph (2).

(5) No more than 16 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 16 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to

1 support that program reduced as a result of funds allocated pursuant
2 to subdivision (a). Funds allocated for the benefit of public
3 education pursuant to subdivision (a) shall not supplant funds
4 committed for child development programs.

5 (c) ~~None~~ All of the following shall *not* be considered revenues
6 for the purposes of this section:

7 (1) Revenues recorded as a result of a nonmonetary exchange.
8 “Nonmonetary exchange” means a reciprocal transfer, in
9 compliance with generally accepted accounting principles, between
10 the lottery and another entity that results in the lottery acquiring
11 assets or services and the lottery providing assets or services.

12 (2) Reimbursements received by the lottery for the cost of goods
13 or services provided by the lottery that are less than or equal to
14 the cost of the same goods or services provided by the lottery.

15 (d) Reimbursements received in excess of the cost of the same
16 goods and services provided by the lottery, as specified in
17 paragraph (2) of subdivision (c), are not a part of the 34 percent
18 of total annual revenues required to be allocated for the benefit of
19 public education, as specified in paragraph (2) of subdivision (a).
20 ~~However, this~~ This amount shall be allocated for the benefit of
21 public education as specified in Section 8880.5.

22 (e) This section shall become operative on January 1 of the year
23 following notification from the Controller to the Legislature and
24 the Governor that the events described in paragraphs (1) and (2)
25 of subdivision (c) of Section 8880.4.5 have occurred.

26 SEC. 3. Section 12419.5 of the Government Code is amended
27 to read:

28 12419.5. The Controller may, in his or her discretion, offset
29 any amount due a state agency from a person or entity, against any
30 amount owing that person or entity by any state agency. The
31 Controller may deduct from the claim, and draw his or her warrants
32 for the amounts offset in favor of the respective state agencies to
33 which due, and, for any balance, in favor of the claimant. Whenever
34 insufficient to offset all amounts due state agencies, the amount
35 available shall be applied in such manner as the Controller, in his
36 or her discretion, shall determine. If, in the discretion of the
37 Controller, the person or entity refuses or neglects to file his or
38 her claim within a reasonable time, the head of the state agency
39 owing the amount shall file the claim on behalf of that person or
40 entity. If approved by the Controller, the claim shall have the same

1 force and effect as though filed by that person or entity. The
2 amount due any person or entity from the state or any agency
3 thereof is the net amount otherwise owing that person or entity
4 after any offset as provided in this section.

5 For purposes of this section, an amount owing to a person or
6 entity by any state agency shall include any tax refund.

7 This section shall not apply to payment of ~~on-line~~ *online* game
8 prizes of ~~ninty-nine~~ *ninety-nine* dollars (\$99) or lower by California
9 State Lottery Retailers pursuant to subdivision (a) of Section
10 8880.32 8880.321.